

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Hamburg Township</u>	County Livingston County
Audit Date June 30, 2004	Opinion Date October 29, 2004	Date Accountant Report Submitted To State: December 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature <i>Plante & Moran, PLLC</i>			

Township of Hamburg, Livingston County, Michigan

**Financial Report
with Supplemental Information
June 30, 2004**

Township of Hamburg, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Fund - Enterprise Fund - Sewer Fund:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17-18
Fiduciary Fund - Agency Fund - Statement of Assets and Liabilities	19
Notes to Financial Statements	20-37
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	38-39
Budgetary Comparison Schedule - Major Special Revenue Funds	40-41
Note to Required Supplemental Information	42
Other Supplemental Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet	43-44
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	45-46

Independent Auditor's Report

To the Members of the Township Board
Township of Hamburg, Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Township of Hamburg, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hamburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamburg Township Library, which is the Township's only discretely presented component unit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Township of Hamburg, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the Township Board
Township of Hamburg, Livingston County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hamburg, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 12, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Plante & Moran, PLLC

October 29, 2004

Township of Hamburg, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Township of Hamburg, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- State-shared revenue, our largest revenue source, was reduced by the State of Michigan by over \$150,000 this year. The Township reacted by cutting back department budgets and spending, as well as limiting staff salary increases to 2 percent, which resulted in the General Fund's fund balance decrease of just over \$16,000.
- Total net assets related to the Township's governmental activities were approximately \$11,466,000, an overall increase from the prior year of just over \$266,000, or 2 percent.
- The Township issued \$5,660,000 in sanitary sewer bonds during the 2003-2004 fiscal year to construct the Rush Lake Sanitary Sewer District, 2004 Contract SADs, and the Mumford Park Canal Dredging Project.

Using this Annual Report

This annual report consists of a series of financial statements, which show a much different format than in the previous years. This annual report consists of four parts - the management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first statements are the statement of net assets and the statement of activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The second statements are the fund financial statements, which present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Hamburg, Michigan

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets at June 30, 2004 (in thousands of dollars). Please note that prior year data is not available since this is the first year of GASB No. 34 implementation.

TABLE I

	Governmental Activities	Business-type Activity - Sewer	Total
Assets			
Current assets	\$ 5,723	\$ 8,218	\$ 13,941
Noncurrent assets	12,581	44,600	57,181
Total assets	18,304	52,818	71,122
Liabilities			
Current liabilities	1,757	1,731	3,488
Long-term liabilities	5,081	22,793	27,874
Total liabilities	6,838	24,524	31,362
Net Assets			
Invested in capital assets - Net of related debt	3,537	8,689	12,226
Restricted	1,135	6,696	7,831
Unrestricted	6,794	12,909	19,703
Total net assets	<u>\$ 11,466</u>	<u>\$ 28,294</u>	<u>\$ 39,760</u>

The Township's combined net assets increased by nearly 19 percent from a year ago - increasing from approximately \$33,527,000 to approximately \$39,760,000. The governmental activities comprise approximately \$11,466,000 while the business-type activity, the Sewer Fund, makes up approximately \$28,294,000.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - are approximately \$6,794,000 for the governmental activities. Unrestricted net assets for the business-type funds are approximately \$12,909,000.

Township of Hamburg, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year (in thousands of dollars). Please note that prior year data is not available since this is the first year of GASB No. 34 implementation.

TABLE 2

	Governmental Activities	Business-type Activity - Sewer	Total
Revenue			
Program revenue:			
Charges for services	\$ 989	\$ 984	\$ 1,973
Operating grants and contributions	82	1,362	1,444
Capital grants and contributions	65	5,396	5,461
General revenue:			
Property taxes	2,606	-	2,606
State-shared revenue	1,439	-	1,439
Unrestricted investment earnings	118	658	776
Franchise fees	181	-	181
Gain on sale of capital asset	4	-	4
Transfers and other revenue	(37)	37	-
Total revenue	5,447	8,437	13,884
Program Expenses			
General government	1,483	-	1,483
Public safety	2,384	-	2,384
Public works	712	-	712
Recreation and culture	298	-	298
Interest on long-term debt	303	-	303
Water and sewer	-	2,471	2,471
Total program expenses	5,180	2,471	7,651
Change in Net Assets	\$ 267	\$ 5,966	\$ 6,233

Governmental Activities

The Township's total governmental revenues totaled \$5.4 million, with state revenue-sharing representing \$1.4 million, or 26 percent. The state revenue-sharing will continue to be a concern in 2005, due to the State's financial difficulties.

Township of Hamburg, Michigan

Management's Discussion and Analysis (Continued)

Expenses for the fiscal year were approximately \$5,180,000. Increases in health care costs, property insurance rates, and legal liability insurance premiums continued to create a budget challenge. To offset this, the Township closely monitored its spending in all other areas, resulting in a net increase in the net assets of approximately \$267,000.

Business-type Activity

The Township's business-type activity consists of the Sewer Fund. We provide sewage treatment through a Township owned and operated sewage treatment plant, as well as through the use of a plant owned and operated by a neighboring community.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2003-2004 include the General Fund, the Police Special Revenue Fund, the Fire Special Revenue Fund, and the Tamarack Lake Sewer Debt Service Fund.

The General Fund pays for most of the Township's governmental services. The most significant are police and fire, which incurred expenses of approximately \$2,416,000 for the year ended June 30, 2004. These two services are also partially supported by a police and a fire millage, which are recorded in the Police Special Revenue Fund and the Fire Special Revenue Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was an amendment related to less than anticipated unallocated expenses in the general government expenditures. The final results proved to be closer to the original budget, however, as various unforeseen expenses came up toward the end of the fiscal year. Overall, the fund balance decreased during the year by just over \$16,000, despite a large decrease in state-shared revenues as discussed earlier.

Capital Asset and Debt Administration

At the end of fiscal year 2004, the Township had \$33,691,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and sewer lines. In addition, the Township has approximately \$3,153,000 and \$1,934,000 invested in the Portage - Base Lakes Water and Sewer Authority and the Livingston Community Water Authority, respectively.

Township of Hamburg, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year will need to be watched very closely once again, especially relating to the General Fund. This needs to be done since revenue sharing is a very big concern for the Township. The State of Michigan is experiencing significant budgeting problems, and as they look for solutions, revenue sharing continues to be under attack. However, there is continued growth in the community, which should assist the Township's budget due to overall increase in property tax revenues.

Relating to the business-type activity, the Township anticipates that the sewer rates will have to increase somewhat in the 2004-2005 fiscal year. The Township is currently in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2005 to discuss the need for such an increase.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Hamburg, Michigan

Statement of Net Assets June 30, 2004

	Primary Government			Component
	Governmental	Business-type		Unit - Library
	Activities	Activity - Sewer	Total	
Assets				
Cash and investments (Note 2)	\$ 4,456,921	\$ 135,305	\$ 4,592,226	\$ 1,485,168
Cash segregated for capital (Note 2)	-	6,696,143	6,696,143	-
Receivables:				
Customers and other	14,617	335,402	350,019	2,003
Special assessments	475,933	-	475,933	-
Internal balances	476,634	(476,634)	-	-
Due from other governmental units	241,220	612	241,832	-
Inventories	-	454,579	454,579	-
Other assets	57,821	4,641	62,462	3,566
Restricted assets (Note 2)	-	6,063,564	6,063,564	-
Assets segregated for capital and debt (Note 11)	-	13,407,238	13,407,238	-
Investment in joint venture (Note 9)	3,153,101	1,933,919	5,087,020	-
Capital assets - Net (Note 5):				
Nondepreciated	489,952	1,656,422	2,146,374	-
Depreciated	8,937,547	22,606,677	31,544,224	22,403
Total assets	18,303,746	52,817,868	71,121,614	1,513,140
Liabilities				
Accounts payable	259,760	175,032	434,792	18,359
Accrued and other liabilities	272,108	710,571	982,679	3,111
Noncurrent liabilities (Note 6):				
Due within one year	1,225,504	844,945	2,070,449	-
Due in more than one year	5,080,842	22,793,053	27,873,895	13,343
Total liabilities	6,838,214	24,523,601	31,361,815	34,813
Net Assets				
Invested in capital assets - Net of related debt	3,536,891	8,688,665	12,225,556	22,403
Restricted:				
Police and fire	542,118	-	542,118	-
Debt service	549,510	-	549,510	-
Capital projects	-	6,696,143	6,696,143	-
Cemetery expenditures	42,797	-	42,797	-
Unrestricted	6,794,216	12,909,459	19,703,675	1,455,924
Total net assets	\$ 11,465,532	\$ 28,294,267	\$ 39,759,799	\$ 1,478,327

Township of Hamburg, Michigan

		Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses	Services		
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,482,924	\$ 895,571	\$ 14,772	\$ -
Public safety	2,384,218	41,895	66,887	64,621
Public works	712,122	37,869	-	-
Recreation and culture	298,083	13,613	-	-
Interest on long-term debt	302,490	-	-	-
Total governmental activities	5,179,837	988,948	81,659	64,621
Business-type activity - Sewer	2,471,162	984,565	1,362,399	5,396,163
Total primary government	<u>\$ 7,650,999</u>	<u>\$ 1,973,513</u>	<u>\$ 1,444,058</u>	<u>\$ 5,460,784</u>
Component unit - Library	<u>\$ 502,576</u>	<u>\$ 14,513</u>	<u>\$ 97,789</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Special item - Gain on sale of capital assets				
Transfers - Net				
Total general revenues, special item, and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit - Library
Governmental Activities	Business-type Activity - Sewer	Total	
\$ (572,581)	\$ -	\$ (572,581)	\$ -
(2,210,815)	-	(2,210,815)	-
(674,253)	-	(674,253)	-
(284,470)	-	(284,470)	-
(302,490)	-	(302,490)	-
(4,044,609)	-	(4,044,609)	-
-	5,271,965	5,271,965	-
(4,044,609)	5,271,965	1,227,356	-
-	-	-	(390,274)
2,605,884	-	2,605,884	365,228
1,439,339	-	1,439,339	17,969
118,128	657,862	775,990	27,344
181,461	-	181,461	-
3,500	-	3,500	-
(36,991)	36,991	-	-
4,311,321	694,853	5,006,174	410,541
266,712	5,966,818	6,233,530	20,267
11,198,820	22,327,449	33,526,269	1,458,060
\$ 11,465,532	\$ 28,294,267	\$ 39,759,799	\$ 1,478,327

Township of Hamburg, Michigan

Governmental Funds Balance Sheet June 30, 2004

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Tamarack Lake Sewer Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 2)	\$ 2,351,351	\$ 51,551	\$ 703,451	\$ 206,747	\$ 1,143,821	\$ 4,456,921
Accounts receivable:						
Customers and other	10,822	-	3,795	-	-	14,617
Special assessments	-	-	-	380,145	95,788	475,933
Due from other governmental units	241,220	-	-	-	-	241,220
Due from other funds (Note 4)	502,249	-	-	-	2,550	504,799
Other assets	22,611	24,456	10,754	-	-	57,821
Total assets	\$ 3,128,253	\$ 76,007	\$ 718,000	\$ 586,892	\$ 1,242,159	\$ 5,751,311
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 103,573	\$ 6,934	\$ 131,954	\$ -	\$ 17,299	\$ 259,760
Due to other funds (Note 4)	-	25,000	-	-	3,165	28,165
Accrued and other liabilities	123,084	40,790	47,211	-	-	211,085
Deferred revenue (Note 3)	-	-	-	380,145	95,788	475,933
Total liabilities	226,657	72,724	179,165	380,145	116,252	974,943
Fund Balances						
Reserved in Permanent Fund - Cemetery						
Perpetual Care - Future cemetery						
expenditures	-	-	-	-	42,797	42,797
Unreserved, reported in:						
General Fund:						
Designated for compensation survey	13,500	-	-	-	-	13,500
Designated for future capital expenditures	10,000	-	-	-	-	10,000
Undesignated	2,878,096	-	-	-	-	2,878,096
Special Revenue Funds	-	3,283	538,835	-	576,533	1,118,651
Debt Service Funds	-	-	-	206,747	342,763	549,510
Capital Projects Funds	-	-	-	-	163,814	163,814
Total fund balances	2,901,596	3,283	538,835	206,747	1,125,907	4,776,368
Total liabilities and fund balances	\$ 3,128,253	\$ 76,007	\$ 718,000	\$ 586,892	\$ 1,242,159	\$ 5,751,311

Township of Hamburg, Michigan

Governmental Funds **Reconciliation of Fund Balances to the Statement of Net Assets** **Year Ended June 30, 2004**

Total Fund Balances of Governmental Activities	\$ 4,776,368
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,427,499
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	475,933
Investment in joint venture is not a financial resource and is not reported in the funds	3,153,101
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds	(6,306,346)
Interest amounts on long-term liabilities are not payable until due in the funds	<u>(61,023)</u>
Net Assets of Governmental Activities	<u>\$ 11,465,532</u>

Township of Hamburg, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Tamarack Lake Sewer Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 693,942	\$ 760,119	\$ 727,152	\$ -	\$ 424,672	\$ 2,605,885
Special assessments	-	-	-	65,240	221,922	287,162
Licenses and permits	225,117	-	-	-	-	225,117
State sources	1,448,111	-	-	-	2,763	1,450,874
Federal sources	-	-	38,371	-	-	38,371
Charges for services	836,194	17,862	2,040	-	2,519	858,615
Fines and forfeitures	-	17,648	-	-	64,621	82,269
Interest and other	41,752	7,624	24,403	8,184	28,782	110,745
Proceeds from sale of capital assets	-	3,500	-	-	-	3,500
Total revenue	3,245,116	806,753	791,966	73,424	745,279	5,662,538
Expenditures						
Legislative	132,084	-	-	-	-	132,084
General government	1,314,346	-	-	-	-	1,314,346
Public safety	274,612	1,411,029	1,005,252	-	17,692	2,708,585
Public works	511,520	-	-	-	67,955	579,475
Health and welfare	62,871	-	-	-	-	62,871
Recreation and culture	21,926	-	-	-	-	21,926
Debt service	-	-	-	63,630	1,211,569	1,275,199
Capital outlay	-	-	-	-	146,282	146,282
Total expenditures	2,317,359	1,411,029	1,005,252	63,630	1,443,498	6,240,768
Excess of Revenue Over (Under) Expenditures	927,757	(604,276)	(213,286)	9,794	(698,219)	(578,230)
Other Financing Sources (Uses)						
Proceeds from long-term debt issue	-	52,078	-	-	95,755	147,833
Transfers in (Note 4)	70,686	712,265	-	-	719,529	1,502,480
Transfers out (Note 4)	(1,014,599)	(157,969)	(182,652)	-	(184,251)	(1,539,471)
Total other financing sources (uses)	(943,913)	606,374	(182,652)	-	631,033	110,842
Net Change in Fund Balances	(16,156)	2,098	(395,938)	9,794	(67,186)	(467,388)
Fund Balances - Beginning of year	2,917,752	1,185	934,773	196,953	1,193,093	5,243,756
Fund Balances - End of year	\$ 2,901,596	\$ 3,283	\$ 538,835	\$ 206,747	\$ 1,125,907	\$ 4,776,368

Township of Hamburg, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (467,388)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 113,689

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (178,998)

Equity interest in joint venture is not reported in governmental funds (73,273)

Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,050,997

Proceeds from issuance of long-term debt are reported as financing sources on the statement of activities (147,833)

Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (40,642)

Accrued interest payable is recorded when due in governmental funds 10,160

Change in Net Assets of Governmental Activities \$ 266,712

Township of Hamburg, Michigan

Proprietary Fund - Enterprise Fund - Sewer Fund Statement of Net Assets June 30, 2004

	Enterprise - Sewer
Assets	
Current assets:	
Cash and investments (Note 2)	\$ 135,305
Cash segregated for capital (Note 2)	6,696,143
Customers and other	335,402
Due from other governmental units	612
Inventories	454,579
Other assets	4,641
Total current assets	7,626,682
Noncurrent assets:	
Restricted assets (Note 2)	6,063,564
Assets segregated for capital and debt (Note 11)	13,407,238
Investment in joint venture (Note 9)	1,933,919
Capital assets - Net (Note 5):	
Nondepreciated	1,656,422
Depreciated	22,606,677
Total noncurrent assets	45,667,820
Total assets	53,294,502
Liabilities	
Current liabilities:	
Accounts payable	175,032
Due to other funds (Note 4)	476,634
Accrued and other liabilities	710,571
Current portion of long-term debt (Note 6)	844,945
Total current liabilities	2,207,182
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	22,793,053
Total liabilities	25,000,235
Net Assets	
Investment in capital assets - Net of related debt	8,688,665
Restricted for capital projects	6,696,143
Unrestricted	12,909,459
Total net assets	<u><u>\$ 28,294,267</u></u>

Township of Hamburg, Michigan

Proprietary Fund - Enterprise Fund - Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

Operating Revenue	
Sewage disposal charges	\$ 872,341
Other charges for services	<u>112,224</u>
Total operating revenue	984,565
Operating Expenses	
Operation and maintenance	901,002
Depreciation	<u>571,648</u>
Total operating expenses	<u>1,472,650</u>
Operating Loss	(488,085)
Nonoperating Revenue (Expense)	
Connection fees	1,362,399
Investment income	657,862
Interest expense	<u>(998,512)</u>
Total nonoperating revenue	<u>1,021,749</u>
Income - Before contributions and transfers	533,664
Capital Contributions	5,396,163
Transfers in from Other Funds (Note 4)	<u>36,991</u>
Change in Net Assets	5,966,818
Net Assets - Beginning of year	<u>22,327,449</u>
Net Assets - End of year	<u><u>\$ 28,294,267</u></u>

Township of Hamburg, Michigan

Proprietary Fund - Enterprise Fund - Sewer Fund Statement of Cash Flows Year Ended June 30, 2004

	Enterprise - Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 870,730
Payments to suppliers	(773,538)
Payments to employees	(41,650)
Other receipts	<u>112,224</u>
Net cash provided by operating activities	167,766
Cash Flows from Capital and Related Financing Activities	
Decrease in deposits of privilege fees collected in prior years	(52,875)
Contributions paid to joint venture	(740,195)
Payments to other governmental units	(612)
Principal and interest paid on long-term debt	(1,805,975)
Purchase of capital assets	(1,680,346)
Collection from developers for the construction of new sewer lines	712,021
Collection of principal and interest on customer assessments	1,631,450
Connection fees	482,296
Interfund activity related to capital items	447,024
Proceeds from issuance of debt	<u>5,564,245</u>
Net cash provided by capital and related financing activities	4,557,033
Cash Flows from Investing Activities - Interest received on cash and cash equivalents	<u>153,474</u>
Net Increase in Cash and Cash Equivalents	4,878,273
Cash and Cash Equivalents - Beginning of year	<u>8,016,739</u>
Cash and Cash Equivalents - End of year	<u>\$ 12,895,012</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 135,305
Restricted cash and cash equivalents resulting from bond sale	6,063,564
Segregated bank deposits and investments for future capital investments	620,284
Segregated bank deposits and investments resulting from special assessments	<u>6,075,859</u>
Total cash and cash equivalents	<u>\$ 12,895,012</u>

Township of Hamburg, Michigan

Proprietary Fund - Enterprise Fund - Sewer Fund Statement of Cash Flows (Continued) Year Ended June 30, 2004

	Enterprise - Sewer
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (488,085)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	571,648
Changes in assets and liabilities:	
Receivables	(1,611)
Accounts payable	80,684
Accrued and other liabilities	5,130
Net cash provided by operating activities	<u><u>\$ 167,766</u></u>

Township of Hamburg, Michigan

Fiduciary Fund - Agency Fund Statement of Assets and Liabilities June 30, 2004

Assets - Cash and investments (Note 2)	\$ 119,042
Liabilities	
Due to other governmental units	\$ 4,854
Other accrued liabilities:	
Performance bonds	112,155
Other	<u>2,033</u>
 Total liabilities	 \$ 119,042

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Hamburg, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Hamburg, Michigan:

Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Hamburg and its component unit. The individual component unit discussed below is included in the Township's reporting entity because of the significance of its operational or financial relationship with the Township.

The Township Library (the "Library") is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is accounted for separate from the Township. The Library was created to provide library services, including book loans, to Township residents. The Library's governing body, which consists of six individuals, is elected by Township residents. The Library itself is not a separately incorporated fiscal entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and the major Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, including state-shared revenue. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Police and Fire Funds - The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millages on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical service in the Township.

Tamarack Lake Sewer Fund - The Tamarack Lake Sewer Fund is a debt service fund whose main source of revenue comes from special assessments receivable.

Sewer Fund - The Township reports the Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide sewer services to citizens, and is financed primarily by a user charge for the provision of those services.

Additionally, the Township reports an Agency Fund. The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule relates to charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sewer services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The taxable valuation of the Township totaled approximately \$796.7 million. Property taxes are levied on each December 1 on the valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's property tax levy for the year ended June 30, 2004 was as follows:

	Millage Rate	Levy
Operating	0.8760	\$ 697,944
Police	0.9589	763,994
Fire	0.9173	730,850
Library debt	0.5359	426,973
Total	3.2881	\$ 2,619,761

Revenue shown on the financial statements for property taxes includes other related revenues, including administrative fees.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activity are reported in the government-wide financial statements as "internal balances."

Inventory - Inventory in the Enterprise Fund is valued at cost, on a first-in, first-out basis, which approximates market value.

Restricted Assets - Restricted assets in the Sewer Fund consist of cash and cash equivalents restricted for debt payments.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year for noncomputer related assets, and \$500 for computer equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Governmental activities:

Buildings and improvements	10-50 years
Machinery and tools	5-10 years
Vehicles, boats, and related equipment	3-7 years
Office furnishings and equipment	3-10 years

Business-type activity - Sewer:

Utility system	10-50 years
Treatment plant	7-50 years
Equipment	3-25 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in accordance with the State statutory authority as listed above.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activity - Sewer	Fiduciary Fund	Total Primary Government	Component Unit - Library
Cash and investments	\$ 4,456,921	\$ 135,305	\$ 119,042	\$ 4,711,268	\$ 1,485,168
Segregated assets	-	6,696,143	-	6,696,143	-
Restricted assets - Unspent bond proceeds	-	6,063,564	-	6,063,564	-
Total	<u>\$ 4,456,921</u>	<u>\$ 12,895,012</u>	<u>\$ 119,042</u>	<u>\$ 17,470,975</u>	<u>\$ 1,485,168</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Component Unit - Library
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 12,677,599	\$ 1,484,873
Investments	4,792,126	-
Petty cash or cash on hand	<u>1,250</u>	<u>295</u>
Total	<u>\$ 17,470,975</u>	<u>\$ 1,485,168</u>

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 2 - Deposits and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$12,634,034, of which \$300,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investment balances were categorized as follows:

	<u>Category</u>			<u>Reported Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Primary government:				
Corporate bonds	\$ -	\$ 1,312,961	\$ -	\$ 1,312,961
U.S. government securities	-	2,507,742	-	2,507,742
Subtotal	<u>\$ -</u>	<u>\$ 3,820,703</u>	<u>\$ -</u>	3,820,703
Investments not subject to categorization - Mutual funds				<u>971,423</u>
Total primary government				<u>\$ 4,792,126</u>

Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 3 - Deferred Revenue

On the fund-based statements, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The proprietary fund reports deferred revenue only for amounts which are not yet earned. At the end of the current fiscal year, deferred revenue consists solely of special assessments in the governmental funds, which are unavailable as of June 30, 2004.

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Police Fund	\$ 25,000
	Sewer Fund	476,634
	Other governmental funds	<u>615</u>
Total General Fund		502,249
Other nonmajor governmental funds	Other nonmajor governmental funds	<u>2,550</u>
Total		<u>\$ 504,799</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Fund (1) (2)	\$ 600,935
	Sewer Fund (1)	36,991
	Other nonmajor governmental funds (1) (2)	<u>376,673</u>
Total General Fund		1,014,599
Police Fund	Other nonmajor governmental funds (1)	157,969
Fire Fund	Other nonmajor governmental funds (1)	182,652
Other nonmajor governmental funds	General Fund (1)	70,686
	Police Fund (1)	111,330
	Other nonmajor governmental funds (3)	<u>2,235</u>
Total other nonmajor governmental funds		<u>184,251</u>
Total		<u>\$ 1,539,471</u>

(1) Transfer for capital improvements

(2) Transfers for general operations

(3) Transfers for debt service

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activity was as follows:

	Balance July 1, 2003	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2004
Governmental Activities					
Capital assets not being depreciated - Land	\$ 425,692	\$ -	\$ 64,260	\$ -	\$ 489,952
Capital assets being depreciated:					
Buildings and improvements	9,163,371	-	70,646	-	9,234,017
Machinery and tools	217,327	-	158,153	-	375,480
Vehicles, boats, and related equipment	618,141	-	418,349	23,531	1,012,959
Office furnishings and equipment	703,824	-	46,166	-	749,990
Subtotal	10,702,663	-	693,314	23,531	11,372,446
Accumulated depreciation:					
Buildings and improvements	1,219,880	-	278,933	-	1,498,813
Machinery and tools	56,641	-	53,242	-	109,883
Vehicles, boats, and related equipment	318,868	-	171,310	23,531	466,647
Office furnishings and equipment	219,156	-	140,400	-	359,556
Subtotal	1,814,545	-	643,885	23,531	2,434,899
Net capital assets being depreciated	8,888,118	-	49,429	-	8,937,547
Net capital assets	\$ 9,313,810	\$ -	\$ 113,689	\$ -	\$ 9,427,499
Business-type Activity - Sewer					
Capital assets not being depreciated:					
Land	\$ 1,303,361	\$ -	\$ -	\$ -	\$ 1,303,361
Construction in progress	1,818,488	(1,706,164)	240,737	-	353,061
Subtotal	3,121,849	(1,706,164)	240,737	-	1,656,422
Capital assets being depreciated:					
Utility system	20,441,445	143,739	242,763	-	20,827,947
Treatment plant	3,767,228	368,701	302,092	-	4,438,021
Equipment	1,953,624	-	199,451	-	2,153,075
Subtotal	26,162,297	512,440	744,306	-	27,419,043
Accumulated depreciation:					
Utility system	3,687,710	-	402,951	-	4,090,661
Treatment plant	299,577	-	82,621	-	382,198
Equipment	253,431	-	86,076	-	339,507
Subtotal	4,240,718	-	571,648	-	4,812,366
Net capital assets being depreciated	21,921,579	512,440	172,658	-	22,606,677
Net capital assets	\$ 25,043,428	\$ (1,193,724)	\$ 413,395	\$ -	\$ 24,263,099

* Reclassifications in the current year are a net negative amount resulting from reclassifying beginning of the year investment in joint venture in the current year from construction in progress to a separate line item on the balance sheet.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

Capital asset activity for the Township's component unit for the year was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Component Unit - Library				
Capital assets being depreciated -				
Buildings and improvements	\$ 11,000	\$ 13,603	\$ -	\$ 24,603
Accumulated depreciation -				
Buildings and improvements	<u>1,467</u>	<u>733</u>	<u>-</u>	<u>2,200</u>
Net capital assets	<u>\$ 9,533</u>	<u>\$ 12,870</u>	<u>\$ -</u>	<u>\$ 22,403</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 73,082
Public safety	307,802
Public works	24,781
Recreation and culture	<u>238,220</u>

Total governmental activities \$ 643,885

Construction Commitment - The Township has one active construction project at year end. The project includes the 2004 Special Assessment bond issue. At year end, the Township's commitment with contractors relating to the project includes the total bond issue of \$5,660,000, of which approximately \$5,565,000 remained unspent as of June 30, 2004.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
Amount of issue - \$3,450,000		\$300,000 -				
Maturing through 2010	4.625%-4.70%	\$500,000	\$ 2,850,000	\$ (300,000)	\$ 2,550,000	\$ 350,000
Installment purchase agreements:						
Amount of issue - \$317,395		\$233 -				
Maturing through 2007	5.20%-10.28%	\$17,341	126,077	(20,208)	105,869	56,817
Special assessment bonds:						
1990 Series I						
Amount of issue - \$529,500						
Maturing through 2004	-	-	44,125	(44,125)	-	-
1990 Series 1990						
Amount of issue - \$2,682,800						
Maturing through 2005	2.00%	\$217,095	434,190	(217,095)	217,095	217,095
1990 Series III						
Amount of issue - \$141,200						
Maturing through 2004	-	-	14,120	(14,120)	-	-
1997 Limited Tax G.O.						
Amount of issue - \$710,000		\$35,000 -				
Maturing through 2017	4.50%-5.50%	\$45,000	555,000	(35,000)	520,000	35,000
2004 Special Assessment						
Amount of issue - \$5,660,000						
Portion related to governmental activities - \$95,755		\$4,647 -				
Maturing through 2023	3.50%-4.65%	\$5,492	-	95,755	95,755	-
Note payable - Construction installment note						
Amount of issue - \$3,800,000		\$26,147 -				
Maturing through 2010	5.25%-5.75%	\$455,954	2,814,213	(349,133)	2,465,080	368,348
Michigan Transportation Fund Note						
Amount of issue - \$192,382						
Maturing through 2012	4.10%-4.35%	\$19,238	173,142	(19,238)	153,904	19,238
Total bonds, installment obligations, and notes			7,010,867	(903,164)	6,107,703	1,046,498
Compensated absences	N/A	N/A	158,001	40,642	198,643	179,006
Total governmental activities			\$ 7,168,868	\$ (862,522)	\$ 6,306,346	\$ 1,225,504

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activity - Sewer						
Special assessment bonds:						
1989 Series 1989A						
Amount of issue - \$2,850,000						
Maturing through 2004	-	-	\$ 80,000	\$ (80,000)	\$ -	\$ -
1992 Limited Tax G.O.						
Amount of issue - \$1,590,000		\$85,000 -				
Maturing through 2012	2.00%	\$90,000	775,000	(85,000)	690,000	85,000
1998 Series 1998						
Amount of issue - \$430,000		\$20,000 -				
Maturing through 2018	4.10%-5.00%	\$25,000	340,000	(25,000)	315,000	25,000
1999 Series 1999						
Amount of issue - \$4,580,000		\$290,000 -				
Maturing through 2014	4.50%-5.25%	\$320,000	3,290,000	(290,000)	3,000,000	290,000
2001 Series 2001						
Amount of issue - \$6,575,000		\$200,000 -				
Maturing through 2021	4.25%-6.50%	\$450,000	6,350,000	(200,000)	6,150,000	250,000
2004 Special Assessment						
Amount of issue - \$5,660,000						
Portion related to business-type activity - \$5,564,245		\$270,353 -				
Maturing through 2023	3.50%-4.65%	\$319,508	-	5,564,245	5,564,245	-
Revenue bonds:						
1996 Sewage Disposal System						
Amount of issue - \$475,000		\$20,000 -				
Maturing through 2016	5.05%-5.95%	\$35,000	370,000	(20,000)	350,000	25,000
1997 Wastewater Treatment Plant						
Amount of issue - \$5,225,000		\$75,000 -				
Maturing through 2027	5.50%-5.60%	\$325,000	4,975,000	(75,000)	4,900,000	100,000
2002 Water System Project						
Amount of issue - \$2,000,000		\$25,000 -				
Maturing through 2032	4.50%-5.00%	\$125,000	2,000,000	-	2,000,000	-
Installment purchase agreements						
Amount of issue - \$736,629		\$62,397 -				
Maturing through 2013	3.25%	\$83,621	736,629	(67,876)	668,753	69,945
Total bonds and installment purchase agreements			\$ 18,916,629	\$ 4,721,369	\$ 23,637,998	\$ 844,945

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activity - Sewer		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 1,046,498	\$ 285,927	\$ 1,332,425	\$ 844,945	\$ 978,616	\$ 1,823,561
2006	880,598	243,943	1,124,541	1,231,152	1,061,856	2,293,008
2007	883,926	199,741	1,083,667	1,258,349	1,004,765	2,263,114
2008	919,289	155,432	1,074,721	1,345,575	945,093	2,290,668
2009	995,262	109,374	1,104,636	1,318,381	881,617	2,199,998
2010-2014	1,198,272	123,235	1,321,507	6,778,453	3,488,333	10,266,786
2015-2019	160,350	22,741	183,091	5,174,650	2,118,838	7,293,488
2020-2024	23,508	2,666	26,174	4,136,493	924,448	5,060,941
2025-2029	-	-	-	1,175,000	216,475	1,391,475
2030-2034	-	-	-	375,000	28,125	403,125
Total	\$ 6,107,703	\$ 1,143,059	\$ 7,250,762	\$ 23,637,998	\$ 11,648,166	\$ 35,286,164

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 6 - Long-term Debt (Continued)

Deceased Debt - In prior years, the Township deceased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the deceased bonds are not included in the general purpose financial statements. At June 30, 2004, \$3,850,000 of bonds outstanding are considered deceased.

Component Unit - Library - Long-term debt of the component unit consists of compensated absences totaling \$13,343. The liability increased from the prior year by \$1,402.

Note 7 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$113,700 during the year.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Township participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer system that is available to command officers and to all police patrol employees of the Township. The MMERS provides retirement benefits and disability and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

Contributions

The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the Township's competitive bargaining units. The Township is required to contribute up to a maximum of \$2,500 to the system on behalf of the command officers, with any costs over and above the amount being the responsibility of the employees. The police patrol employees' agreement requires a contribution of 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the year ended June 30, 2004, the Township's annual pension cost of \$77,524 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0 percent to 4.16 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 32 years.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2004	2003	2002
Annual pension costs (APC)	\$ 77,524	\$ 65,000	\$ 44,900
Percentage of APC contributed	100%	100%	100%

	As of December 31		
	2003	2002	2001
Actuarial value of assets	\$ 440,769	\$ 354,394	\$ 296,623
Actuarial accrued liability (AAL) (entry age)	\$ 1,286,025	\$ 1,021,915	\$ 761,857
Unfunded AAL (UAAL)	\$ 845,256	\$ 667,521	\$ 465,234
Funded ratio	34.3%	34.7%	38.9%
Covered payroll	\$ 685,168	\$ 521,301	\$ 500,218
UAAL as a percentage of covered payroll	123%	128%	93%

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 9 - Investments in Joint Ventures

The Township is a member of the Portage - Base Lakes Area Water and Sewer Authority, which provides sewer services to the residents of Hamburg, Dexter, Putnam, and Webster Townships. The residents of the participating communities provide annual funding for its operations via sewer billings. During the current year, the Township paid approximately \$285,000 in debt service related to bonds issued to fund the sewer project. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the Township's offices. The investment is recorded in the governmental activities at June 30, 2004 at \$3,153,101, and calculated as 35.3 percent of the authority's year end fund balance at March 31, 2004.

The Township is a member of the Livingston Community Water Authority, which will provide water services to the residents of Hamburg, Brighton, and Green Oak Townships. Once services are provided, the participating communities will provide annual funding for its operations via water billings. As of June 30, 2004, the Authority had not yet begun providing service to the Township residents. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future, with the exception of the 2002 Water System Project bond issue. The investment of \$1,933,919 is recorded in the business-type activity - sewer at June 30, 2004.

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical, dental, and optical benefits provided to employees. The Township has purchased commercial insurance for employee injuries, medical, dental, and optical claims, and participates in the Michigan Municipal Risk Management Authority for claims relating to property and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Township of Hamburg, Michigan

Notes to Financial Statements June 30, 2004

Note 11 - Assets Segregated for Capital and Debt

Segregated assets in the Sewer Enterprise Fund as June 30, 2004 consist of the following:

Bank deposits and investments	\$ 6,696,143
Special assessment receivables:	
Current	1,068,134
Long-term	<u>12,339,104</u>
Total	<u>\$ 20,103,381</u>

These assets are segregated specifically for various capital improvements as well as the payment of the related debt.

Note 12 - Accounting and Reporting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and result of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the government activities column of the statement of net assets include assets previously reported in the General Fixed Assets Account Group. Capital assets at July 1, 2003 previously reported in the General Fixed Asset Account Group have been adjusted by approximately \$3,982,000 to reflect the historical cost of the Township's capital assets at that date and the reclassification of the investment in joint ventures from the General Fixed Assets Account Group to a separate line item in the balance sheet.
- The governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.
- The governmental funds now accrue a liability for compensated absences only to the extent that they come due for payment prior to year end.

Required Supplemental Information

Township of Hamburg, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,917,752	\$ 2,917,752	\$ 2,917,752	\$ -
Revenues and Transfers In				
Property taxes	697,960	697,960	693,942	(4,018)
Licenses and permits	217,300	217,300	225,117	7,817
State sources	1,580,000	1,580,000	1,448,111	(131,889)
Charges for services	719,861	719,861	836,194	116,333
Interest and other	38,500	38,500	41,752	3,252
Operating transfers in	-	-	70,686	70,686
Total revenues and transfers in	3,253,621	3,253,621	3,315,802	62,181
Expenditures and Transfers Out				
Legislative - Township Board	126,464	126,464	132,084	(5,620)
General government:				
Township Supervisor	134,051	134,051	119,027	15,024
Elections	12,620	12,620	10,488	2,132
Accounting	134,865	134,865	129,711	5,154
Assessor	232,850	232,850	224,967	7,883
Clerk	194,883	194,883	182,655	12,228
Board of Review	3,200	3,200	1,499	1,701
Treasurer	122,893	122,893	113,135	9,758
Township building and grounds	136,500	136,500	156,669	(20,169)
Cemetery	32,538	32,538	16,906	15,632
Unallocated	329,119	202,869	341,199	(138,330)
Environmental Review Board	17,940	17,940	18,090	(150)
Total general government	1,351,459	1,225,209	1,314,346	(89,137)
Public safety:				
Planning Commission	83,640	83,640	96,356	(12,716)
Zoning Administrator	195,264	195,264	172,831	22,433
Zoning Board of Appeals	6,444	6,444	5,425	1,019
Total public safety	285,348	285,348	274,612	10,736
Public works:				
Street lighting	12,000	12,000	11,234	766
Mapping	120,093	120,093	124,818	(4,725)
Utility/SAD department	375,411	375,411	375,468	(57)
Total public works	507,504	507,504	511,520	(4,016)

Township of Hamburg, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures and Transfers Out (Continued)				
Health and welfare:				
Senior citizens	\$ 65,808	\$ 65,808	\$ 62,175	\$ 3,633
Other	5,000	5,000	696	4,304
Total health and welfare	70,808	70,808	62,871	7,937
Recreation and cultural - Recreation Board	59,706	59,706	21,926	37,780
Other Uses - Operating transfers out	822,966	822,966	1,014,599	(191,633)
Total expenditures and transfers out	3,224,255	3,098,005	3,331,958	(233,953)
Fund Balance - End of year	<u>\$ 2,947,118</u>	<u>\$ 3,073,368</u>	<u>\$ 2,901,596</u>	<u>\$ (171,772)</u>

Township of Hamburg, Michigan

Required Supplemental Information Budgetary Comparison Schedule Police Special Revenue Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 1,185	\$ 1,185	\$ 1,185	\$ -
Revenues and Transfers In				
Property taxes	764,331	764,331	760,119	(4,212)
Charges for services	13,300	13,300	17,862	4,562
Fines and forfeitures	15,000	15,000	17,648	2,648
Interest and other	4,700	4,700	7,624	2,924
Proceeds from sale of capital assets	200	200	3,500	3,300
Proceeds from long-term debt	-	-	52,078	52,078
Operating transfers in	567,966	659,589	712,265	52,676
Total revenues and transfers in	1,365,497	1,457,120	1,571,096	113,976
Expenditures and Transfers Out				
Public safety	1,365,497	1,457,120	1,411,029	46,091
Transfers to other funds	-	-	157,969	(157,969)
Total expenditures and transfers out	1,365,497	1,457,120	1,568,998	(111,878)
Fund Balance - End of year	<u>\$ 1,185</u>	<u>\$ 1,185</u>	<u>\$ 3,283</u>	<u>\$ 2,098</u>

Township of Hamburg, Michigan

Required Supplemental Information Budgetary Comparison Schedule Fire Special Revenue Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 934,773	\$ 934,773	\$ 934,773	\$ -
Revenues and Transfers In				
Property taxes	730,786	730,786	727,152	(3,634)
Federal sources	-	-	38,371	38,371
Charges for services	-	-	2,040	2,040
Interest and other	10,000	10,000	24,403	14,403
Total revenues and transfers in	740,786	740,786	791,966	51,180
Expenditures and Transfers Out				
Public safety	631,522	991,763	1,005,252	(13,489)
Transfers to other funds	109,264	109,264	182,652	(73,388)
Total expenditures and transfers out	740,786	1,101,027	1,187,904	(86,877)
Fund Balance - End of year	<u><u>\$ 934,773</u></u>	<u><u>\$ 574,532</u></u>	<u><u>\$ 538,835</u></u>	<u><u>\$ (35,697)</u></u>

Township of Hamburg, Michigan

Note to Required Supplemental Information June 30, 2004

Note - Budgetary Information

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers and proceeds from issuance of long-term debt and sale of assets, which have been included in the "revenue" and "expenditures" categories, rather than omitted from the budget statement.

The budget has been adopted on a total fund basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund, Police Fund, and Fire Fund as adopted by the Township Board are included in the required supplemental information of the basic financial statements. A comparison of actual results of operations to the budgets for nonmajor Special Revenue Funds as adopted by the Board is available at the Township hall for inspection.

Significant Budget Overruns - During the year, the Township of Hamburg, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 3,098,005	\$ 3,331,958	\$ (233,953)
Police Fund	1,457,120	1,568,998	(111,878)
Fire Fund	1,101,027	1,187,904	(86,877)

Other Supplemental Information

Township of Hamburg, Michigan

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Assets					
Cash and investments	\$ 335,132	\$ 48,110	\$ 2,503	\$ 22,828	\$ 177,520
Accounts receivable - Special assessments	-	-	-	-	-
Due from other funds	2,550	-	-	-	-
Total assets	<u>\$ 337,682</u>	<u>\$ 48,110</u>	<u>\$ 2,503</u>	<u>\$ 22,828</u>	<u>\$ 177,520</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 12,110	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	12,110	-	-	-	-
Fund Balances					
Reserved for future cemetery expenditures	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	325,572	48,110	2,503	22,828	177,520
Debt Service Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Total fund balances	<u>325,572</u>	<u>48,110</u>	<u>2,503</u>	<u>22,828</u>	<u>177,520</u>
Total liabilities and fund balances	<u>\$ 337,682</u>	<u>\$ 48,110</u>	<u>\$ 2,503</u>	<u>\$ 22,828</u>	<u>\$ 177,520</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

Debt Service Funds			Capital Projects Fund			Permanent Fund -	Total Nonmajor
Tamarina Paving	Portage Lake Sewer	Library Building	Maintenance SADs	Capital Projects	Cemetery Perpetual Care		Governmental Funds
\$ -	\$ 239,424	\$ 103,339	\$ 137,379	\$ 34,789	\$ 42,797	\$	1,143,821
-	1,067	-	94,721	-	-		95,788
-	-	-	-	-	-		2,550
\$ -	\$ 240,491	\$ 103,339	\$ 232,100	\$ 34,789	\$ 42,797	\$	1,242,159
\$ -	\$ -	\$ -	\$ 5,189	\$ -	\$ -	\$	17,299
-	-	-	3,165	-	-		3,165
-	1,067	-	94,721	-	-		95,788
-	1,067	-	103,075	-	-		116,252
-	-	-	-	-	42,797		42,797
-	-	-	-	-	-		576,533
-	239,424	103,339	-	-	-		342,763
-	-	-	129,025	34,789	-		163,814
-	239,424	103,339	129,025	34,789	42,797		1,125,907
\$ -	\$ 240,491	\$ 103,339	\$ 232,100	\$ 34,789	\$ 42,797	\$	1,242,159

Township of Hamburg, Michigan

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
State sources	-	-	2,763	-	-
Fines and forfeitures	-	-	-	64,621	-
Charges for services	-	-	-	-	-
Interest and other	10,509	11,742	19	617	726
Total revenue	10,509	11,742	2,782	65,238	726
Expenditures					
Public safety	-	-	2,545	15,147	-
Public works	67,955	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Interest expense	-	-	-	-	-
Total expenditures	67,955	-	2,545	15,147	-
Excess of Revenue Over (Under) Expenditures	(57,446)	11,742	237	50,091	726
Other Financing Sources (Uses)					
Proceeds from long-term debt issue	-	-	-	-	-
Transfers in	-	38,000	-	-	140,000
Transfers out	-	(24,700)	-	(111,330)	-
Total other financing sources (uses)	-	13,300	-	(111,330)	140,000
Net Change in Fund Balances	(57,446)	25,042	237	(61,239)	140,726
Fund Balances - Beginning of year	383,018	23,068	2,266	84,067	36,794
Fund Balances - End of year	<u>\$ 325,572</u>	<u>\$ 48,110</u>	<u>\$ 2,503</u>	<u>\$ 22,828</u>	<u>\$ 177,520</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2004

Debt Service Funds			Capital Projects Fund			
Tamarina Paving	Portage Lake Sewer	Library Building	Maintenance SADs	Capital Projects	Permanent Fund - Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 424,672	\$ -	\$ -	\$ -	\$ 424,672
-	145,178	-	76,744	-	-	221,922
-	-	-	-	-	-	2,763
-	-	-	-	-	-	64,621
-	-	-	-	-	2,519	2,519
255	1,405	1,733	859	455	462	28,782
255	146,583	426,405	77,603	455	2,981	745,279
-	-	-	-	-	-	17,692
-	-	-	-	-	-	67,955
-	284,748	432,461	707	493,653	-	1,211,569
-	-	-	77,405	68,877	-	146,282
-	284,748	432,461	78,112	562,530	-	1,443,498
255	(138,165)	(6,056)	(509)	(562,075)	2,981	(698,219)
-	-	-	95,755	-	-	95,755
-	-	2,235	-	539,294	-	719,529
(45,984)	-	-	-	(2,237)	-	(184,251)
(45,984)	-	2,235	95,755	537,057	-	631,033
(45,729)	(138,165)	(3,821)	95,246	(25,018)	2,981	(67,186)
45,729	377,589	107,160	33,779	59,807	39,816	1,193,093
<u>\$ -</u>	<u>\$ 239,424</u>	<u>\$ 103,339</u>	<u>\$ 129,025</u>	<u>\$ 34,789</u>	<u>\$ 42,797</u>	<u>\$ 1,125,907</u>

October 29, 2004

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

Dear Board Members:

We have recently completed our audit of the financial statements of the Township of Hamburg for the year ended June 30, 2004. As part of our audit, and in addition to the financial report, we offer the following comments and recommendations for your consideration. For your information, we have also provided several legislative issues that could affect the Township.

Accounting and Recordkeeping Items

As a result of our examination, we offer the following comments and recommendations relating to the Township's accounting and recordkeeping procedures:

Cash and Bank Reconciliations

Although bank reconciliations appear to be prepared and reviewed on a timely basis, there is no documentation substantiating the review process. We suggest that the reviewer sign and date the bank reconciliations as proof of a timely review process.

We noted during our testing that the individual responsible for collecting cash can also void transactions. Although a separate department is responsible for posting entries and reviewing the transactions for propriety, we encourage the Township to perhaps require two signatures authorizing "voids" in order to ascertain on a timely basis that the transactions are valid.

Vacation and Sick Accruals

There are instances where the hours accrued for employees exceed the maximum hours allowed to be accrued. The Township should monitor the hours accrued and follow the policy in place.

Purchasing System

It was noted once again this year that the current purchasing system is not always operating as designed. For example, we found that various vendor invoice dates precede the date of the approved purchase order. We encourage the Township to review the current system that is in place and determine if adjustments should be made in current practices to strengthen the controls of the system.

October 29, 2004

Legislative Issues

State Shared Revenue

State shared revenue is one of the major sources of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to State's tax structure, we continue to urge the Township to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

We will continue to update the Township as developments occur.

Property Tax Matters

During the current legislative session, there have been a number of bills involving property taxes that impact local governments. The following is a highlight of several of the bills:

- HB 4880, as passed by the House in August 2004, proposes to increase property taxes for mobile home owners with additional monies earmarked for local governments.
- HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This

treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy.

- HB 4649 was passed by the House and would allow for local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.
- HB 5358 was introduced and would change the requirements for personal property tax examiners including: requiring the State Tax Commission to qualify examiners based on experience and examination; require examiners to be employees of a local government; and make payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.
- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.

Personal Property Tax

With the adoption several years ago by the State Tax Commission of new personal property tax tables for utilities (which made drastic changes to the transmission and distribution property of utilities and resulted in a corresponding revenue loss to local governments), many communities elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables which generated a series of lawsuits on this subject. To date, the new utility personal property tax tables implemented by the State Tax Commission have been upheld. In certain jurisdictions, refunds have been made or are in process from local governments to the utilities. We encourage the Township to continue to monitor these developments as the Township could be negatively impacted by the outcome.

Health Care Costs

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the Township may want to consider this option as it evaluates and continues to try to control its health care costs.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end (due December 31, 2004) and is good for one year thereafter. In addition, the Township should consider the need to file a qualifying statement for its component unit.

October 29, 2004

Government Accounting Standards Board Statement 34

Governmental Accounting Standards Board (GASB) Statement 34 is now here! You will notice a different look to the audited financial statements this year. Although there are many differences with this new reporting model, the major additions are as follows:


- Management Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.
- Government-wide Financial Statements: The statements now adjust the traditional fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township's financial position from a current and longer term perspective including its capital assets and long term debt.
- Budget Comparison: A financial statement reader will now be able to not only view the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original adopted budget.

The GASB believes that this new model will provide a more complete picture of the financial position of the Township. We would be happy to schedule a time to provide a more detailed overview about this new reporting model so that you can obtain the greatest user benefit from it.

We would like to thank the entire Township staff, particularly Laurie Pravato, for the cooperation we received in completing this year's audit. Please contact us if you have any questions or comments related to our suggestions, or if we can be of any help in their implementation.

Very truly yours,

Plante & Moran, PLLC



Michael J. Swartz



Martin J. Olejnik